

Message Text

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C O N F I D E N T I A L PORT MORESBY 0334

E.O. 11652: GDS

TAGS: EMIN, PP

SUBJECT: STEEL PROSPECTING FOR GOLD IN PAPUA NEW GUINEA

1. SUMMARY: U.S. STEEL REPRESENTATIVES SPENT THE WEEK OF APRIL 7-11 IN PORT MORESBY DISCUSSING COMPANY'S MINERAL CONCESSIONS ON THE NORTHWESTERN COAST OF NEW GUINEA. INDICATIONS ARE FAVORABLE FOR DEVELOPMENT OF A SIGNIFICANT GOLD DEPOSIT, AND U.S. STEEL IS CONCERNED, GIVEN THE KENNECOTT OK TEDI TALKS BREAKDOWN, THAT IT MAY HAVE SIMILAR PROBLEMS IN NEGOTIATION A SATISFACTORY DEAL FOR EXPLOITING THE DEPOSITS. TALKS WITH HIGH LEVEL GPNG OFFICIALS ALLAYED THEIR CONCERN TO SOME EXTENT. END SUMMARY.

2. MR. D. H. HASE, MANAGER OF EXPLORATION-OCEANIA FOR U.S. STEEL INTERNATIONAL, TOLD CONGEN OFFICER EXPLORATION OF THE MINERAL DEPOSITS ON THE NORTHWESTERN NEW GUINEA COAST HAD REACHED THE POINT WHERE HIS COMPANY WANTED INFORMAL ASSURANCES THAT THE GOVERNMENT WAS INTERESTED IN NEGOTIATING A SATISFACTORY AGREEMENT ON MINERAL EXPLOITATION. IN TALKS WITH GPNG OFFICIALS WHICH INCLUDED CHIEF MINISTER MICHAEL SOMARE, MINISTER OF FINANCE JULIUS CHAN, NATIONAL INVESTMENT AND DEVELOPMENT AUTHORITY OFFICIALS AND OFFICIALS OF THE DEPARTMENT OF MINERALS AND ENERGY, DURING THE WEEK, HASE RECEIVED
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SUFFICIENT ASSURANCE OF A SYMPATHETIC HEARING FROM THE GOVERNMENT THAT HE SAID THE COMPANY WILL CONTINUE ITS

EXPLORATORY WORK.

3. FORMAL NEGOTIATIONS WILL COMMENCE BETWEEN U.S. STEEL AND THE GPNG WITHIN SIX TO TWELVE MONTHS. HASE STATED THAT GOVERNMENT OFFICIALS WERE CONCERNED ABOUT THE KENNECOTT NEGOTIATION BREAKDOWN AND THE EFFECT IT WOULD HAVE ON THE FOREIGN INVESTMENT CLIMATE. HE BELIEVES THE GOVERNMENT IS PREPARED TO SOFTEN ITS POSITION IN ORDER TO COUNTERACT THE NEGATIVE IMPACT OF THE KENNECOTT TURNDOWN.

4. COMMENT: CONGEN OFFICER CAUTIONED HASE NOT TO RELY TOO HEAVILY ON INFORMAL GENERALIZED ASSURANCES FROM GPNG OFFICIALS AT THIS TIME. ALTHOUGH GOVERNMENT MAY BE FEELING THE PRESSURE BECAUSE OF ITS TOUGH NEGOTIATING POSITION RE KENNECOTT, WE DO NOT BELIEVE IT WILL SOON SOFTEN THAT POSITION. HASE SHOWED HIMSELF TO BE CLEAR-EYED AND AWARE OF BOTH THE POSSIBILITIES OF THE GOLD STRIKE AND PROBLEMS ARISING FROM IT. END COMMENT.

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